for activities such as laundering and report promptly unusual transactions to their Head Offices for taking up with tax authorities.

4. Banks should have a written investment policy outlining the essential features of investment portfolio management. They should also review their existing systems and procedures.

5. Banks should lay down a written loan policy as a strong foundation for loan portfolio management.

6. To prevent frauds in advances portfolio, banks should bestow adequate attention to overcome the shortcoming by imparting requisite/need-based training to staff.

7. Banks should establish an independent loan review department both at Head Office and Zonal Office/Regional Office levels.

8. Banks should tone up their control and security procedures so as to Guard against frauds in computer related areas.

9. Banks should tone up the efficacy of their inspection and audit machinery for timely detection of irregularities malpractices and frauds.

10. Proper control systems need to be introduced to govern the working of subsidiaries so as to ensure that activities prohibited for banks to engage in, are not undertaken by the subsidiaries.

11. In order to be effective, CVOs need to work independently without pressures from the top management and be given adequate statutory powers to carry out preliminary investigations/build up cases and thereafter hand them over to the appropriate law enforcement authorities. The Banks should also evolve systems to ensure that subsidiaries established for different purposes are brought under the purview of appropriate vigilance machinery.

12. There should be effective co-ordination between different investigating agencies-vigilance department of banks, CBI and Police. Periodical meetings among the RBI, CVC, CBI and Banking Division may also be held.

Setting up of banks in private sector

48. SHRI SANJAY DALMIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have received any proposal from financial institutions in private sector requesting permission to set up banks; and

(b) if so, the details thereof and what is Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The Reserve Bank of India has reported that it has received 17 applications from financial institutions in the private sector to set up banks in the private sector. Out of these, licences have been issued to four applicants while four applications, have been rejected. Remaining nine applications are at various stages of processing.

RBI's directions to banks

49. SHRI K. M. KHAN:
SHRI SANJAY DALMIA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government and RBI have directed banks not to debit interest to the loan accounts which are classified as non-performing assets;

(b) if so, the method followed for bringing into account the liability of borrowers in respect of unapplied interest; and